

Appendix D: Inflation Indices



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, DC 20310-0200



DACS-PBC
PBC MEMO 94-012

7 February 1994

MEMORANDUM FOR MEMBERS OF THE PROGRAM AND BUDGET COMMITTEE

SUBJECT: Revised Inflation Indices--Correction #2

1. References:

- a. PBC Memo 94-002, 6 JAN 1994, subject: Revised Inflation Indices--Corrected Copy.
- b. OSD memo, 4 JAN 1994, subject: Revised Inflation Guidance (Enclosure 1).
- c. PBC memo 93-24, 4 MAR 1993, subject: Revised Inflation Indices.
- d. Inflation and Real Growth Primer, OASA(FM), March 1993.

2. **Attached at Enclosure 2 are corrected inflation indices which replace those issued at Reference 1a. PBC memo 94-002 should be discarded.** Corrections have been made to escalation rates for FY 1982 through 1986, 1990, and 1992, with an impact on compound and composite indices for all appropriations. **FYs 1995 through 2010 remain unchanged from PBC Memo 94-002.**


3. The Army inflation indices have been revised in accordance with reference 1b, superseding those at reference 1c. These indices (Enclosure 2) have been derived from economic assumptions provided by OMB for use in developing the FY 1995 President's budget submission and supporting Congressional justification materials, and are to be used in the FY 1996-2001 Program Objective Memorandum and in the Selected Acquisition Reports (SARS) for December 1993. Note that the inflation indices at Enclosure 2 should be applied only to the **purchase (non-pay, non-fuel)** portions of Army accounts. Pay raise factors in reference 1b should be used to price the pay portion of Army accounts, and medical factors should be used to price pharmaceuticals and hospital services.

4. The Primer at reference 1d contains instructions regarding the usage of the enclosed indices. It remains unchanged from the March 1993 publication. Local reproduction of copies already in circulation is encouraged. Limited additional copies are available in Room 3B663 until exhausted--thereafter, a master will be available for reproduction.

5. Point of contact is Mr. Paul Potamianos, SAFM-BUC-F, Room 3B663, 697-6241.

FOR THE CHAIRMEN OF THE PROGRAM AND BUDGET COMMITTEE:

Enclosures
as


WESLEY C. MILLER
LTC, GS
Executive for Budgeting, PBC



COMPTROLLER OF THE DEPARTMENT OF DEFENSE
WASHINGTON, DC 20301-1100

JAN 4 1994

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDER-IN-CHIEF, U.S. SPECIAL OPERATIONS
COMMAND
COMMANDER-IN-CHIEF, U.S. TRANSPORTATION COMMAND
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES
DIRECTOR, INTELLIGENCE COMMUNITY STAFF

SUBJECT: Revised Inflation Guidance

The attached inflation and spendout rates supersede those used in preparation of the September submission of the FY 1995 budget.

These rates are to be reflected in the FY 1995 budget submission and supporting congressional justification materials; the FY 1996-FY 2001 Program Objective Memoranda (POM); and the Selected Acquisition Reports (SARs) for December 1993 in accordance with guidelines and procedures contained in DoD Instruction 5000.2, "Defense Acquisition Management Policies and Procedures," and DoD Manual 5000.2-M, "Defense Acquisition Management Documentation and Reports."

A handwritten signature in black ink, reading "Alice C. Maroni", is positioned above the printed name.

Alice C. Maroni
Principal Deputy Comptroller

Attachment

PRICE ESCALATION INDICES
(Annual Rates in Percentages)

| <u>OUTLAYS</u> | | | | | | | |
|--------------------|--------------------|-------------|-------------------------|----------------------------|---------------------|---------------------------------------|----------------------|
| <u>Fiscal Year</u> | <u>Procurement</u> | <u>RDTE</u> | <u>Mil Con FH Const</u> | <u>O&M (Excl Fuel)</u> | <u>O&M Fuel</u> | <u>Mil Pers Non-Pay</u> ^{1/} | <u>CPI-U Medical</u> |
| 1993 | 2.7 | 2.7 | 2.7 | 2.7 | 1.4 | 2.7 | 6.3 |
| 1994 | 2.5 | 2.5 | 2.5 | 2.5 | 14.1 | 2.5 | 5.1 |
| 1995 | 2.8 | 2.8 | 2.8 | 2.8 | -12.4 | 2.8 | 5.2 |
| 1996 | 2.9 | 2.9 | 2.9 | 2.9 | 6.1 | 2.9 | 5.2 |
| 1997 | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 5.0 |
| 1998 | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 4.9 |
| 1999 ^{3/} | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 4.4 |

| <u>BUDGET AUTHORITY</u> ^{2/} | | | | | | | |
|---------------------------------------|-----|-----|-----|-----|-------|-----|-----|
| 1993 | 2.7 | 2.6 | 2.7 | 2.7 | 1.4 | 2.7 | 6.3 |
| 1994 | 2.8 | 2.7 | 2.7 | 2.6 | 14.1 | 2.5 | 5.1 |
| 1995 | 2.9 | 2.9 | 2.9 | 2.8 | -12.4 | 2.8 | 5.2 |
| 1996 | 3.0 | 3.0 | 2.9 | 2.9 | 6.1 | 2.9 | 5.2 |
| 1997 | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 5.0 |
| 1998 | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 4.9 |
| 1999 ^{3/} | 3.0 | 3.0 | 3.0 | 3.0 | 6.1 | 3.0 | 4.4 |

| <u>PAY RAISE ASSUMPTIONS</u> ^{4/} | | | |
|--|-----------------|--|-----------------|
| | <u>Military</u> | | <u>Civilian</u> |
| 1993 | 3.7 | | 3.7 |
| 1994 | 2.2 | | * |
| 1995 | 1.6 | | 1.6 |
| 1996 | 2.2 | | 2.2 |
| 1997 | 2.5 | | 2.5 |
| 1998 | 2.5 | | 2.5 |
| 1999 ^{3/} | 2.5 | | 2.5 |

* FY 1994 civilian pay raises average 3.6% for General Schedule personnel receiving locality pay and 2% for Wage Grade personnel.

^{1/} Not to be used to inflate accounts fixed by statute.

^{2/} These are composite rates at the title level. Inflation rates for specific accounts are a function of the spend out profiles and may vary within each title.

^{3/} These rates are to be used for all years beyond 1999.

^{4/} All pay raises effective January 1.

OUTLAY RATES TO BE USED FOR INCREMENTAL CHANGES IN BA PURCHASES
(as Percent of BA Purchases)

| | <u>FIRST YEAR</u> | <u>SECOND YEAR</u> | <u>THIRD YEAR</u> | <u>FOURTH YEAR</u> | <u>FIFTH YEAR</u> | <u>SIXTH YEAR</u> | <u>SEVENTH YEAR</u> |
|---|-----------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------------|
| <u>MILITARY PERSONNEL</u> | | | | | | | |
| Mil Per-Army | 70.45 | 29.55 | | | | | |
| Mil Per-Navy | 80.35 | 19.65 | | | | | |
| Mil Per-MC | 70.86 | 29.14 | | | | | |
| Mil Per-Air Force | 71.09 | 28.91 | | | | | |
| Res Per-Army | 74.78 | 25.22 | | | | | |
| Res Per-Navy | 50.96 | 49.04 | | | | | |
| Res Per-MC | 56.77 | 43.23 | | | | | |
| Res Per-Air Force | 70.22 | 29.78 | | | | | |
| Nat Gd Per-Army | 71.84 | 28.16 | | | | | |
| Nat Gd Per-Air Force | 68.75 | 31.25 | | | | | |
| <u>OPERATION AND MAINTENANCE</u> | | | | | | | |
| O&M-Army | 55.90 | 34.27 | 6.35 | 3.48 | | | |
| O&M-Navy | 53.38 | 39.63 | 4.45 | 2.54 | | | |
| O&M-MC | 59.88 | 31.34 | 4.86 | 3.92 | | | |
| O&M-Air Force | 56.86 | 33.91 | 5.04 | 4.19 | | | |
| O&M-Def Wide | 41.47 | 42.79 | 9.59 | 6.15 | | | |
| O&M-Army Res | 54.07 | 37.03 | 8.90 | | | | |
| O&M-Navy Res | 40.90 | 48.32 | 10.78 | | | | |
| O&M-MC Res | 67.76 | 25.57 | 6.67 | | | | |
| O&M-Air Force Res | 49.10 | 39.95 | 10.95 | | | | |
| O&M-Army Nat Gd | 61.43 | 30.68 | 7.89 | | | | |
| O&M-Air Nat Gd | 55.03 | 37.51 | 7.46 | | | | |
| Inspector General | 32.77 | 35.86 | 17.93 | 13.44 | | | |
| Rifle Practice, Army | 30.23 | 58.46 | 11.31 | | | | |
| Drug Interdiction | 34.40 | 43.30 | 12.50 | 5.00 | 4.80 | | |
| Court of Mil Appeals | 10.14 | 46.88 | 42.98 | | | | |
| Environ. Rest. Def | 22.00 | 45.00 | 22.00 | 6.00 | 5.00 | | |
| Human. Asst | 45.40 | 34.50 | 15.00 | 5.10 | | | |
| Def. Health Program | 80.70 | 14.05 | 2.57 | 1.83 | 0.86 | | |
| <u>PROCUREMENT</u> | | | | | | | |
| <u>Army</u> | | | | | | | |
| Aircraft | 11.00 | 43.00 | 25.30 | 9.50 | 7.60 | 3.60 | |
| Missiles | 6.00 | 30.00 | 48.30 | 8.20 | 4.00 | 3.50 | |
| W&TCV | 2.00 | 41.50 | 37.00 | 10.50 | 5.30 | 3.70 | |
| Ammunition | 40.70 | 5.70 | 39.60 | 8.00 | 6.00 | | |
| Other Proc Army | 9.70 | 32.50 | 28.30 | 16.70 | 6.80 | 6.00 | |
| <u>Defense Agencies/Defense Wide</u> | | | | | | | |
| Procurement Def Wide | 36.00 | 45.00 | 16.50 | 1.20 | 1.30 | | |
| Arm Agts & Mun Dest | 42.00 | 33.00 | 16.00 | 4.00 | 3.00 | 2.00 | |
| Nat Gd & Res Equip | 5.00 | 31.00 | 11.00 | 15.50 | 7.00 | 10.50 | |

OUTLAY RATES TO BE USED FOR INCREMENTAL CHANGES IN BA PURCHASES
(as Percent of BA Purchases)

| | <u>FIRST YEAR</u> | <u>SECOND YEAR</u> | <u>THIRD YEAR</u> | <u>FOURTH YEAR</u> | <u>FIFTH YEAR</u> | <u>SIXTH YEAR</u> | <u>SEVENTH YEAR</u> |
|-------------------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------------|
| <u>Navy</u> | | | | | | | |
| Aircraft | 13.50 | 32.10 | 31.70 | 13.20 | 4.60 | 4.90 | |
| Weapons | 9.70 | 32.80 | 38.20 | 10.00 | 4.50 | 4.80 | |
| Shipbuilding & Conv | 5.10 | 13.30 | 20.00 | 17.00 | 17.00 | 17.00 | 10.60 |
| Other Proc Navy | 10.90 | 22.00 | 36.40 | 17.30 | 7.80 | 5.60 | |
| Procurement MC | 15.70 | 24.30 | 26.50 | 21.50 | 7.50 | 4.50 | |
| <u>Air Force</u> | | | | | | | |
| Aircraft | 4.50 | 24.10 | 37.10 | 17.80 | 8.90 | 7.60 | |
| Missiles | 6.00 | 22.00 | 33.00 | 28.50 | 8.90 | 1.60 | |
| Other Proc A F | 46.70 | 25.09 | 16.88 | 7.15 | 2.65 | 1.53 | |
| <u>RDT&E</u> | | | | | | | |
| RDT&E-Army | 38.40 | 46.54 | 10.00 | 2.46 | 2.60 | | |
| RDT&E-Navy | 47.73 | 38.80 | 9.06 | 1.51 | 2.90 | | |
| RDT&E-Air Force | 43.54 | 40.95 | 9.39 | 3.80 | 2.32 | | |
| RDT&E-Def Wide | 46.06 | 39.64 | 10.11 | 4.19 | | | |
| T&E, Def | 25.00 | 45.00 | 20.00 | 5.00 | 5.00 | | |
| OT&E, Def | 11.70 | 67.00 | 12.00 | 2.00 | 7.30 | | |
| <u>MILITARY CONSTRUCTION</u> | | | | | | | |
| Mil Con-Army | 13.30 | 21.39 | 30.69 | 19.54 | 8.92 | 6.16 | |
| Mil Con-Navy | 7.10 | 53.14 | 25.65 | 7.05 | 4.49 | 2.57 | |
| Mil Con-Air Force | 19.90 | 53.10 | 20.30 | 4.20 | 1.50 | 1.00 | |
| Mil Con-Def Wide | 13.90 | 38.70 | 22.90 | 12.70 | 5.90 | 5.90 | |
| Mil Con-Army Nat Gd | 19.90 | 55.80 | 20.70 | 2.20 | 1.40 | | |
| Mil Con-Air Nat Gd | 17.10 | 60.30 | 17.40 | 3.00 | 1.00 | 1.20 | |
| Mil Con-Army Res | 7.00 | 56.00 | 20.00 | 9.00 | 4.50 | 3.50 | |
| Mil Con-Navy Res | 22.70 | 58.40 | 17.60 | 0.80 | 0.50 | | |
| Mil Con-Air Force Res | 21.50 | 58.00 | 19.80 | 0.40 | 0.30 | | |
| Base Closure | 12.00 | 35.00 | 24.00 | 15.00 | 7.00 | 7.00 | |
| NATO Infrastructure | 25.00 | 20.00 | 20.00 | 15.00 | 15.00 | 5.00 | |
| <u>FAMILY HOUSING</u> | | | | | | | |
| Construction-Army | 14.00 | 36.90 | 23.40 | 14.90 | 6.80 | 4.00 | |
| Construction-Navy | 11.00 | 38.00 | 26.00 | 15.00 | 5.00 | 5.00 | |
| Construction-Air Force | 13.00 | 44.00 | 26.00 | 7.00 | 5.00 | 5.00 | |
| Construction-Def Wide | 85.00 | 11.00 | 2.00 | 2.00 | | | |
| Ops & Debt-Army | 78.61 | 17.11 | 2.67 | 1.61 | | | |
| Ops & Debt-Navy | 62.77 | 28.68 | 5.84 | 2.71 | | | |
| Ops & Debt-A F | 71.75 | 22.70 | 4.34 | 1.21 | | | |
| Ops & Debt-Def Wide | 71.00 | 17.00 | 12.00 | | | | |